

DISTRICT TRUST COMPANY

ANNUAL REPORT FOR YEAR ENDED OCTOBER 31, 1969

AR38



DISTRICT TRUST'S NEWEST BRANCH IN GUELPH

TO OUR SHAREHOLDERS

District Trust made significant progress during the year ended October 31, 1969 and expanded to permit further growth in the future.

Total assets increased 43%, from \$8.8 million to \$12.6 million. Deposits rose from \$6.9 million to \$10.3 million. The value of mortgages issued was up 37%, from \$6.5 million to over \$8.9 million.

Although income climbed from \$570,224 to \$868,344, expenses moved from \$540,710 to \$888,405, producing a loss of \$11,118 compared with last year's profit of \$24,987.

HIGHER EXPENSES

Several factors contributed to higher expenses:

1. The cost of money rose with unprecedented rapidity. During the fiscal year, interest on deposit accounts increased from $5\frac{1}{4}\%$ to $6\frac{3}{4}\%$ and on Guaranteed Investment Certificates from $7\frac{1}{4}\%$ to $8\frac{3}{4}\%$. These increases temporarily reduced earnings because the higher rates are paid immediately on deposits, but the larger returns on mortgage loans are received over a longer period.
2. The purchase of a very desirable site at the corner of Dundas and Clarence Streets in London for a future head office building increased depreciation by \$10,000. New equipment for the Guelph branch and the expansion of the present head office, additional rental properties and leasehold write-offs accounted for \$10,000 more depreciation.
3. Because the new branch in Guelph opened in the fourth quarter, all expenses (many of them non-re-occurring) are included in this report, but only two months operating performance is reflected.
4. The Real Estate Department expanded and also opened an office in Port Dover where large industrial development will produce rapid growth in property sales throughout this region.

For the year under review, these achievements produced a modest loss; for the long-term, they add greatly to our profit potential.

BUSINESS BUOYANT

The general business climate during the year was buoyant within the company's markets. However, inflation continued to be a major concern. The Provincial and Federal Governments attempted to reduce spending but the results were not apparent during the review period. These restraints, plus fiscal restrictions on business, may not be sufficient to halt this undesirable spiral when consumer credit spending continues to rise and is encouraged by the introduction of more credit card services and personal loan promotions.

Despite this inflationary tendency, it appears that business potential remains encouraging and District Trust will continue to expand.

PERSONNEL

Dr. Frederick F. R. Boyes, Walter A. Keyser and Francis J. McDonald resigned from the Board of Directors during the year. They were members of the original directorate and we thank them for their counsel during these formative years.

New directors are Raymond J. Hare of Waterloo, Joseph Wolfond of Guelph and L. W. Zehr of Kitchener, providing directors from the area served by the new branch in Guelph.

Mr. Hare is President of Shore to Shore Corporation Limited, President of Shorco Realty Limited, and previously was a trust company executive for 24 years.

Mr. Zehr is President of Zehr's Markets Limited and a Director of the Canadian Federation of Retail Grocers.

Mr. Wolfond is President and Chairman of Wolfond Construction Limited, a construction company which he founded in 1931.

Robert C. Allen, who has 20 years of trust company experience and latterly was Assistant Treasurer of Shore to Shore Corporation, was appointed Manager of the Guelph Branch.

J. Michael Whatmore was appointed Manager of our expanding Real Estate Department.

OFFICER MEETINGS

The Board of Directors and Executive Committee held a record number of meetings during 1969. Since these officers again served without remuneration, all shareholders of District Trust are indebted to them for counsel and interest.

We welcome the new staff members who joined during this year of expansion and thank all employees for their efficient and courteous service.

We thank all shareholders for their continued interest and confidence and assure them that District Trust will take advantage of every opportunity to maintain the program of steady, sound progress.

Respectfully submitted,

Thomas F. Kingsmill,
Chairman of the Board.

Bentley I. Baldwin,
President.

Kenneth L. Cunningham,
General Manager and Secretary.

THE CHANGING BUSINESS SCENE

I am adding a personal message to this year's annual shareholder report to explain more fully very significant changes within our business climate.

Amendments to the Bank Act in 1967 removed ceiling restrictions on the interest rates which chartered banks could pay on deposits. Since then, these rates, and ours, have climbed steadily and during the last year rose faster than ever before in history. This spiral must be considered a significant factor contributing to inflation.

The chartered banks also were permitted to offer conventional mortgage loans for the first time.

These changes ended two advantages which the trust companies previously enjoyed, and thereby intensified competition. This competition, contrary to usual economic expectations, increased rather than decreased costs to the consumer.

CONSUMER LOANS

During the same period, the banks initiated aggressive promotional campaigns for consumer loans, accompanied by the introduction of credit card services. Because regulations governing trust companies were not amended, as anticipated, to permit consumer lending, we were unable to reply to this particular form of new competition.

Changes in laws covering estate taxes, succession duties and gift taxes continue to produce an element of uncertainty and confusion which is of concern to District Trust and to the clients for whom we are trustees. Clarification of this evolving legislation will permit us to improve our fiduciary services.

TAXATION REFORM

More recently, Finance Minister Benson proposed a program of major tax reform, which is needed and long overdue. While I cannot forecast with any degree of certainty what effect these amendments will have on the Canadian economy, they are so important that I must bring them to the attention of our shareholders and suggest that, after individual scrutiny, they make their thoughts known to the Finance Minister.

Mr. Benson and his department are to be complimented for permitting businessmen to study these proposals and to make observations before they become law. It is most important that the Government give serious consideration to all comments before implementation. I am sure

that this atmosphere of co-operation and the comments submitted will improve the final taxation policy.

My main concern is for the future of privately-owned and closely-held Canadian companies. It must never be forgotten that all big companies were once small companies. In a young country such as ours, small businesses are the backbone of our future growth and provide employment for millions of Canadians.

SMALL COMPANIES

For example, the current high cost of money places greater proportional hardships upon smaller companies than upon the large, well-funded enterprises. Our taxation policies must not, either inadvertently or indirectly, intensify this disparity, because it would have a depressing effect upon the long-term growth of these small companies. I would consider it very detrimental to our national future if the management of small businesses lose their incentive and decide to sell out, perhaps to foreign interests, or form holding companies in other countries, rather than remain part of our Canadian economy.

This sort of a business climate or tendency must not be permitted to develop. I do not suggest any special considerations for small businesses, only that they do not encounter undue hardships or inhibiting effects from our taxation policies. Similarly, the business climate must continue to encourage the flow of middle-income investor funds to maintain growth within our competitive economic system.

The increasing cost of government at all levels is of concern to Canadians. Surely any consideration of tax reform must be paralleled by a careful review of spending at the federal, provincial and municipal levels. It is time to ask the question 'How must can we afford in desirable social programs without in the long run destroying the ambitions and initiative of those taxpayers who will have to pay the bill?'

Bentley I. Baldwin,
President.

District Trust Company (Incorporated under the laws of Ontario) **Balance Sheet** *October 31, 1969 (with comparative figures at October 31, 1968)*

ASSETS

	<u>1969</u>	<u>1968</u>
CASH, including short term deposits of \$802,476; (\$401,282 in 1968)	\$ 968,637	\$ 554,925
SECURITIES (note 1)		
Bonds		
Government of Canada	544,679	544,679
Provincial	499,856	499,827
Municipal	125,851	125,851
Other	269,074	272,646
	<u>1,439,460</u>	<u>1,443,003</u>
Stocks	492,307	60,408
	<u>1,931,767</u>	<u>1,503,411</u>
LOANS, secured	82,216	62,291
MORTGAGES (less reserve, \$23,000 in 1969; \$23,000 in 1968)	8,988,726	6,592,624
REAL ESTATE HELD FOR SALE, at cost not exceeding estimated market value	—	11,198
INCOME PROPERTY, at cost less accumulated depreciation	576,470	75,600
OFFICE PREMISES AND EQUIPMENT, at cost less accumulated depreciation	110,934	66,401
OTHER ASSETS	9,906	4,565
	<u>\$12,668,656</u>	<u>\$8,871,015</u>

ESTATES, TRUSTS AND AGENCIES

Securities, cash and other assets at
company valuation 1969, \$1,527,746;
1968, \$1,467,769.

LIABILITIES

	<u>1969</u>	<u>1968</u>
GUARANTEED TRUST ACCOUNT		
Deposits	\$ 2,644,215	\$2,019,947
Investment certificates	7,724,217	4,929,204
	<u>10,368,432</u>	<u>6,949,151</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	105,740	75,142
9% MORTGAGE PAYABLE, maturing March 3, 1974, (principal due within one year \$6,500)	358,880	—
	<u>10,833,052</u>	<u>7,024,293</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
500,000 shares of \$10 each		
Issued		
160,000 shares	1,600,000	1,600,000
CONTRIBUTED SURPLUS	182,069	182,069
	<u>1,782,069</u>	<u>1,782,069</u>
GENERAL RESERVE	15,000	15,000
UNAPPROPRIATED EARNINGS	38,535	49,653
	<u>1,835,604</u>	<u>1,846,722</u>
	<u>\$12,668,656</u>	<u>\$8,871,015</u>

Approved by the Board:

Chairman: T. F. Kingsmill

President: B. I. Baldwin

STATEMENT OF INCOME

Year ended October 31, 1969 (with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Income		
Interest from mortgages	\$ 628,512	\$ 421,370
Interest from bonds and short term deposits	135,517	109,701
Dividends	9,157	2,276
Interest from loans	5,733	5,799
Fees and commissions	33,056	22,658
Rentals	49,567	4,930
Other operating income	6,802	3,490
	<u>868,344</u>	<u>570,224</u>
Expenses		
Interest on deposits and certificates	547,438	324,290
Salaries and staff benefits	144,916	114,640
Other operating expenses	166,712	92,212
Depreciation	29,339	9,568
	<u>888,405</u>	<u>540,710</u>
	(20,061)	29,514
Profit on sale of securities and real estate	8,943	20,473
Income (loss) before undernoted item	(11,118)	49,987
Transfer to mortgage reserve	—	10,000
Net income (loss) for the year	(11,118)	39,987
Transfer to general reserve	—	15,000
Transfer to unappropriated earnings	<u>\$ (11,118)</u>	<u>\$ 24,987</u>

STATEMENT OF UNAPPROPRIATED EARNINGS

Year ended October 31, 1969 (with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Balance at beginning of year	\$ 49,653	\$ 24,666
Transfer from statement of income	(11,118)	24,987
BALANCE AT END OF YEAR	<u>\$ 38,535</u>	<u>\$ 49,653</u>

NOTES TO FINANCIAL STATEMENTS

Year ended October 31, 1969

1. SECURITIES

Bonds and stocks are stated at cost.

Market value of bonds amounted to \$1,122,130 (\$1,238,900 in 1968); stocks \$462,988 (\$65,825 in 1968).

2. INCOME TAXES

In 1969 and 1968 no provision for income taxes was required due to the operating loss in 1969 and the application of prior years' losses in 1968.

AUDITORS' REPORT

To the Shareholders of
District Trust Company

We have examined the balance sheet of District Trust Company as at October 31, 1969 and the statements of income and unappropriated earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements are drawn up to present fairly the financial position of the company as at October 31, 1969 and the results of its operations for the year then ended on a basis consistent with that of the preceding year.

London, Ontario
November 24, 1969

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants



'Growing to serve you better' was the promotional theme when District Trust opened its new branch in Guelph on September 16, 1969. In a unique ceremony, Alderman Fred Dixon of Guelph cut a ribbon composed of 100 one dollar bills, then presented them to Max Allen, President of the Guelph United Appeal, as District Trust's first donation as a new corporate citizen.

The branch is in a modern shopping centre on the corner of Gordon and Wellington Streets, near the University of Guelph.

DIRECTORS

William J. Amos, Parkhill

** Bentley I. Baldwin, London

** William C. P. Baldwin, London

** Kenneth L. Cunningham, London

** Norman G. Burdick, London

Stuart H. Carver, London

William J. Gorman, London

Lyle H. Gray, Ridgetown

** Frederick M. Halls, London

Raymond J. Hare, Waterloo

** Howard L. Hayman, London

Arthur M. Hueston, Aylmer

John A. Irvine, London

** Frederick O. Kime, London

** Thomas F. Kingsmill, London

James G. Lind, London

William J. McDougall, London

** John A. McNee, London

George T. Moore, Arva

Stanley A. Mortin, St. Thomas

John B. Nash, London

Ewart W. Ostrander, Tillsonburg

Edward E. Reilly, London

Chester H. Smith, St. Thomas

Joseph Wolfond, Guelph

J. Clark Wright, Strathroy

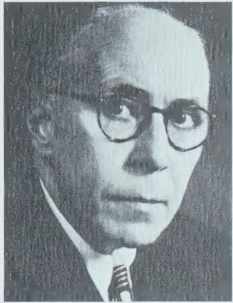
L. W. Zehr, Kitchener

** Members of the Executive Committee

AUDITORS

Thorne, Gunn, Helliwell and Christenson

OFFICERS



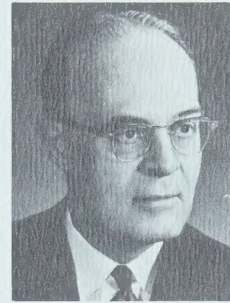
Thomas F. Kingsmill
Chairman of the Board



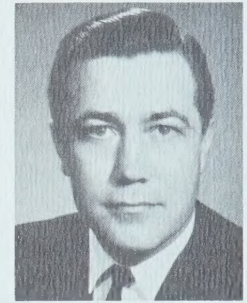
Bentley I. Baldwin
President



William C. P. Baldwin
Vice-President



Frederick M. Halls
Vice-President



K. L. Cunningham
*General Manager and
Secretary*

MANAGERS



Peter Wilson
*Manager
Mortgage Department*



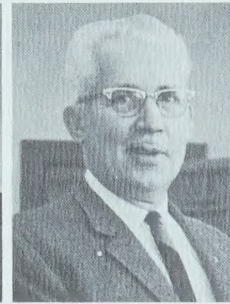
J. Michael Whatmore
*Manager
Real Estate Department*



Douglas J. Petch
*Treasurer
Manager
Head Office Branch*



D. G. Hayman
*Manager
Market Branch*



W. Foster Thompson
*Manager
Strathroy Branch*



Robert C. Allen
*Manager
Guelph Branch*



DISTRICT TRUST CUSTOMER SERVICES

District Trust provides a wide range of financial and estate-planning services for individuals, families and businesses.

CHEQUING ACCOUNTS

No limit to the number of cheques processed free-of-charge. New accounts receive 200 personalized cheques.

DEPOSIT ACCOUNTS

Savings earn the highest rate of interest, calculated monthly on the minimum monthly balance. Withdrawals may be made in person or by arrangement at any time.

DEPOSIT BY MAIL

Deposits may be mailed in to either type of account using convenient mail-deposit forms.

GUARANTEED INVESTMENT CERTIFICATES

Money earns the highest possible interest and is guaranteed for the life of the certificate.

RETIREMENT SAVINGS PLANS

Savings designated for retirement income earn a high rate of interest annually and reduce current income tax payments. Contributions may be made progressively up to 60 days after the end of the year and still reduce Income Tax for the previous year.

ESTATE PLANNING

A valuable service to customers is District Trust's free confidential advice on personal financial matters, particularly regarding new succession duties and the arrangement of estates for maximum future benefits.

EXECUTORS AND TRUSTEES

The appointment of District Trust as executor or trustee of personal estate matters assures sound and dependable administration with maximum benefits to the family.

SAFETY DEPOSIT BOXES

Vault facilities and safety deposit boxes assure the safety of valuables for pennies a day.

INVESTMENT MANAGEMENT

Because District Trust combines the experience of many financial experts, it provides rapid and knowledgeable management of personal investments.

MORTGAGES

District Trust provides residential, commercial and industrial mortgages for construction, purchase or expansion.

REAL ESTATE SERVICES

The real estate department purchases or sells any type of residential, commercial or industrial property.

These fine services are available at all Western Ontario Branches of District Trust:

Head Office Branch

484 Richmond Street, London 12
Telephone 672-0610

Market Branch

15 Covent Market Place
London 12
Telephone 434-6024

Strathroy Branch

26 Front Street, Strathroy
Telephone 245-1090

Guelph Branch

Wellington and Gordon Streets
Guelph
Telephone 821-2160

if the government is going to take most of it? Many more private businesses and farms will disappear when heirs are forced to sell to pay inheritance taxes.

"Therefore, future generations are being forced into the philosophy of "why risk your money in private enterprise. If you win you are taxed. Why save for the future? When you die your family gets only a portion of it. Let's spend it now."

"This philosophy, gentlemen, does not build successful business nor successful nations.

"In closing, may I comment on changes in the Bank Act which became effective in May, 1967. These amendments have worked to the detriment of trust companies.

"Because banks have been able to raise the price of borrowing to the highest levels in many years, and because a great percentage of their loans are going into the consumer market, the cost of money to the Trust Companies is also at an unprecedented high.

"This situation should be alleviated somewhat when the Trust Companies sometime this year will probably compete against the banks in the personal loan field. Competition for this business should reduce the cost of money to the ultimate consumer.

"District Trust Company's business as a fiduciary agent continues to grow and will eventually be the mainstay of our business. This growth is dependent measurably on the goodwill of our present clients and shareholders.

"Once again, we call on your support in directing Estate and Agency business to us and also to remember that our Real Estate Department is here to serve you."

Report for the Quarter ended January 31, 1969

REVENUE

November 1, 1968 - January 31, 1969

(3 mos. - unaudited)

	<u>1969</u>	<u>1968</u>
REVENUE	\$ 179,146.	\$ 122,875.
Interest paid	(106,723.)	(66,553.)
Administration	<u>(58,383.)</u>	<u>(46,075.)</u>
OPERATING PROFIT	14,040.	10,247.
Depreciation	<u>(2,926.)</u>	<u>(2,184.)</u>
NET PROFIT (1)	<u>\$ 11,114.</u>	<u>\$ 8,063.</u>

- (1) Before provision for income taxes and reserves.

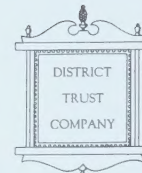
Mortgages at January 31, 1969, totaled \$7,097,758. as against \$5,136,706. January 31, 1968, an increase of \$1,961,052.

Deposits increased \$2,769,767. to \$8,056,156. as against \$5,286,389. at January 31, 1968.

Total assets stood at \$10,014,179. compared to \$7,263,525. at January 31, 1968, an increase of \$2,750,654.

DISTRICT TRUST COMPANY

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Report for the Quarter
ended January 31, 1969

and

Proceedings
of Annual Meeting
of Shareholders

Deposits rose sharply during the first quarter and were \$8,056,156 when it ended on January 31, 1969. This total was \$2,769,767 higher than a year ago and over one million dollars higher than the figure reported in the annual statement of October 31, 1968. This trend has continued since the end of the quarter and at date of printing, deposits were more than \$8.3 million.

The comparative statement provides shareholders with other highlights of the first quarters.

At the annual meeting of the company held in the Holiday Inn, London, on Wednesday, January 22, 1969, shareholders completed the following business:

- * Approved Bylaw #4 which reduced the number of directors from 30 to 27.
- * Approved Bylaw #5 which increased the Executive Board of Directors from 8 to 9.
- * Approved Bylaw #6 which established an employee stock option program.
- * Re-elected the directors listed in the 1968 annual report.
- * Appointed Thorne, Gunn, Helliwell and Christenson auditors for fiscal 1969.
- * Heard President B. I. Baldwin express concern that "the price of almost everything increased during the year and it seemed that inflation might surge out of control at any time."
- "While this is a rather unsatisfactory environment in which to do business," he

said, "artificial controls to correct it are not necessary nor desirable.

"The remedy does, however, rest with the federal and provincial governments, because, despite tremendous outlays of private capital to expand and operate this country, government spending remains the largest single economic influence. Thus the practice of governments spending more than we can afford nourishes inflation.

"A realistic ceiling must be placed on government capital spending and necessary capital programs spread out over more years so we can accumulate the funds required before committing it. The Ontario and Federal Governments' decision to spread hospital construction expenditures over a longer period may be a move in the right direction and should be considered by other ministries.

"I suggest that both the federal and provincial governments could also reduce the inflationary trend and help progress at the same time by giving more active support to the philosophy of private enterprise which has built North America.

"If these two legislative bodies would remove the roadblocks and create an atmosphere of encouragement, private enterprise would provide many of the services that are now costly problems for governments.

"Let us consider schools, for example. I understand that private developers would eagerly consider as feasible projects, high-rise buildings with schools occupying the lower levels and office space in the upper levels. Dual purpose, leased buildings would help to reduce the staggering cost of schools, but they are not possible under present legislation.

"Garbage disposal is another urban problem. Private enterprise would build regional disposal plants for domestic and industrial waste, if governments would give free enterprise even mild encouragement.

"Once again, I think private enterprise will re-build the core areas of our cities, without any public funding, if the snarl of red tape can be eliminated and let builders get on with the job.

"It seems hard to understand why, at a time when there is a shortage of houses, it often takes two to three years to move a subdivision from the raw land to the approved stage so that building can commence.

"I'm sure I voice the feeling of most Canadian businessmen who support our economic philosophy of free enterprise when I say to government "Remove the roadblocks, provide encouragement, and we will do the job."

"I would like to comment on three taxes currently in public focus.

"First, the Provincial Shelter Grants must be re-assessed. I question whether this particular tax-rebate legislation has achieved its objective. Surely a cheaper and more acceptable method is possible.

"Secondly, I urge the economists to ponder very carefully the effects of a tax on capital gains. It will bring in tax money, but the side effects may be very costly. At this particular time, we are worried about foreign investment, and urging Canadians to invest in their country's enterprises. Yet this tax directly discourages risk capital - because - if they win they are taxed.

"I also am worried about the similarly deterring effect of changes to the Estate Tax. Here again, one may ponder, why strive to build up an estate for your family